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Foreign Problems Confronting The New Administration

discussed by

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FOREIGN PROBLEMS CONFRONTING THE NEW ADMINISTRATION

The Town Hall, New York, February 23, 1933

SPEAKERS

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Research Director, Foreign Policy Association

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Staff, New York Herald Tribune; author, "The Martial Spirit"

Frank H. Simonds
Author, "Can America Stay at Home?", "Can Europe Keep the Peace?"

James G. McDonald
Chairman

READING SUGGESTIONS

(in addition to the books mentioned above)

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Foreign Problems Confronting the New Administration

MR. JAMES G. McDONALD, Chairman

TONIGHT'S meeting is designed to be a means of helping President-Elect Roosevelt and the new Secretary of State, Mr. Hull, in outlining their program. It is designed to help them in the choice of their topics and the determination of their policies in reference to those topics. But all joking aside, we are anxious this evening to have a frank three-sided discussion of the problems of foreign policy which face the new administration.

I am confident that most of you will share with me the feeling of relief that Mr. Roosevelt, even before coming into office, has shown his deep interest in certain of these problems. He has shown his willingness to go counter to the advice publicly and vociferously expressed by some of his advisers in reference to war debts. He has shown his anxiety to be prepared to deal with this particular problem promptly after his entrance into office. There are indications that other aspects of the international situation will be dealt with just as promptly.

While some of us may have had other candidates for the position of Secretary of State, everything that one has heard of Senator Hull since his designation is, I think, encouraging. He is a man of real scholarship, of deep, life-long interest in questions of international affairs, and a specialist in the economic aspects of foreign affairs, those particular aspects which will call for immediate consideration by our government. Moreover, those who know him best assure us that he is a man of sound judgment, even temper, and a capacity to arrive at decisions. I, as one individual—and I hope also I may say on behalf of the F. P. A.—wish him well in the enormously difficult job which he is soon to take over.

The first speaker tonight is Mr. Buell, the Director of the F. P. A. Research Department. It would be superfluous for me to undertake to list Mr. Buell's publications or the different phases of his work in the international field. Instead, I simply introduce him, and say I hope he will show that the first of these talks can be twenty minutes in length, as the other two are meant to be. Mr. Buell!

MR. RAYMOND LESLIE BUELL

When invited merely to review the "background" of American foreign policy tonight, I felt I had been asked to play rather a subordinate rôle. My feelings improved, however, when I ran across a statement of Josiah Royce to the effect that "faithfulness to history is the beginning of creative wisdom." This evening I shall attempt to be faithful to history, in the hope of inspiring my colleagues in the creation of wisdom for the future!

All of us are familiar with the amazing change in the international position of the United States which took place because of the World War. That war developed our military power, converted us into a money-lender to all the world, and gave us a predominant position at the Paris Peace Conference. In a sense the American people were responsible for the provisions of the Treaty of Versailles; for without American support the Allies would not have been strong enough to impose that treaty upon Germany and the other Central powers.

With the election of 1920, the United States reverted to what was supposedly a policy of "isolation." The American people had been willing to participate in the destruction wrought by the war, but they were unwilling, for reasons which do not need to be discussed here, to assist in a post-war effort at world reconstruction. Although we washed our hands of any political responsibilities, at the same time we did not wish to surrender the profits arising from the export of goods and the lending of money to a war-exhausted Europe. For a time there was a danger that we should attempt to promote a policy of vigorous aggression. We embarked on a campaign to find exclusive sources of raw materials—which resulted in squeezing the European government out of Liberia, and establishing, in the Firestone agreement of 1926, an irresponsible form of American control. Out of sympathy for American oil producers, we nearly became involved in war with Mexico in 1926; while raising the cry of a Bolshevik bogey, we undertook an intervention in Nicaragua. In his famous United Press speech of 1928, President Coolidge declared that American life and property were part of the national domain, no matter in what area of the world they might be found—a speech which may have boosted the level of foreign bonds upon the stock exchange but which increased international uneasiness as to the intentions of the United States. During this early period, statesmen advanced interpretations of the Monroe Doctrine which, had they not been abandoned, would have made Latin America a closed preserve of the United States; at the same time they challenged the ambitions of Japan in Asia and the Pacific. It was in these early years that we decided not to recognize Russia. Finally, we developed ambitions to become a great naval power. For the defense of

our compact coast lines, our naval needs were quite moderate. Even such outstanding navalists as Theodore Roosevelt and Admiral Mahan, had declared that the United States should not build a navy as large as that of Great Britain. Nevertheless during the World War, and in the years following, a great demand arose for parity, for a navy second to none. Had this demand been accompanied by a willingness to assume some responsibility for world organization, it might have been justified. But our policy was parity in power—but no responsibility for peace.

Had not the forces thus unloosed in the Harding administration been checked, the United States might have completely killed any effort at international cooperation and have violently clashed with other imperialisms.

Tonight, at a distance of twelve years, we may express gratitude that these forces have not triumphed and that the United States has, if haltingly and with some blunders, moved in the direction of international cooperation.

The first indication of this change has occurred in the case of Latin America. Ever since the Spanish-American War the relations between the United States and Latin America have been on an unsatisfactory basis. Despite his idealism, President Wilson increased the obstacles to inter-American understanding by his bombardment of Vera Cruz, and his interventions in Haiti and Santo Domingo. During the post-war period, we adopted an aggressive policy toward Mexico and Nicaragua. For a time there was also a danger that the United States would clash with the League of Nations in the Western Hemisphere. Fortunately, this danger has been removed. Only this month Colombia formally requested the aid of the League of Nations in settling its dispute with Peru. Although ten years ago the State Department would undoubtedly have warned the League to keep its hands off an "American" dispute, today it expresses satisfaction. It believes—and correctly—that the Monroe Doctrine does not mean the domination of the Western Hemisphere by the United States, but merely opposition to European aggression.

During the last twelve years, the United States has settled a number of disputes in Latin America, and has also moved in the direction of non-intervention in the Caribbean. The Tacna-Arica plebiscite fiasco, for which the United States was partly responsible, was liquidated in an agreement of May, 1929, dividing the disputed territory between Chile and Peru. Thanks largely to the skillful diplomacy of Dwight Morrow, our oil controversy has been settled, at least temporarily, with Mexico. During the last three years, the United States has frankly abandoned the "constitutional" theories of Woodrow Wilson and recognized revolutionary governments in Latin America, Panama, and Santo Domingo. Follow-

ing the report of the Forbes Commission in the spring of 1930, President Hoover inaugurated a policy of gradually evacuating Haiti. Unfortunately the State Department was so solicitous of the interests of American bondholders that the Haitian Assembly unanimously rejected the treaty of September, 1932, which supposedly provided for evacuation in 1935. Today the future of Haiti is still uncertain.

In Nicaragua, however, the United States terminated—on January 2, 1933—an intervention which, except for a brief period, had lasted since 1912. Our futile campaign against Sandino has come to an end, and Sandino has made his own peace. A major reason for withdrawing from Haiti and Nicaragua is the realization that it is illogical for us to protest against the intervention of Japan in Manchuria, so long as we are carrying on unilateral interventions in the Caribbean.

There are still a number of important problems to be solved in our relations with Latin America: the problem of whether the United States is responsible for the atrocities of the Machado dictatorship in Cuba; the development of Pan-American peace machinery; the disposition of unwise foreign investments and controls in Latin American countries; the working out of a new Central American policy. Nevertheless, it must be admitted that our relations with Latin America are vastly improved over what they were a few years ago.

Likewise, an important change has come in our attitude toward international cooperation and the pacific settlement of disputes. In 1921 Ambassador George Harvey boasted that the United States would not "have anything whatsoever to do with the League or with any commission or committee appointed by it or responsible to it, directly or indirectly, openly or furtively." Today it is the policy of the American government to send official delegations to conferences called by the League to conclude agreements concerning humanitarian, economic and disarmament matters. We are represented on countless League committees. The State Department is in the process of withdrawing exclusive control over Liberia in favor of a League of Nations reconstruction plan. We have signed or adhered to at least ten of the general treaties concluded under the auspices of the League—such as the Slavery Convention of 1926 and the Opium Convention of 1931.

In addition to participating in these semi-"legislative" activities of the League, the United States has agreed to submit its disputes to some form of pacific settlement, just as have League members. Beginning in 1928 the State Department began to negotiate a new series of arbitration treaties, providing for the arbitration of certain legal disputes—treaties which omit the pre-war reservation concerning "vital interests." Moreover, under the famous Bryan peace commission treaties, the United States

promises to submit to the investigation of certain international commissions every kind of dispute, not otherwise peacefully disposed of.

A more advanced step was taken when the American government, largely driven by the "peace sentiment" in this country, took the initiative in applying and developing the Anti-War Pact as a real instrument for the maintenance of peace. I shall not trouble you with the details of the Manchuria controversy which is still unsettled. But as a result of the precedents established during the past two years, it is clear that the United States has become committed to the principles of "consultation" and of "non-recognition" which may lead us soon to associate ourselves fully in the international organization of peace. Under the first of these principles we promise to consult with the members of the League of Nations whenever any dispute threatening peace occurs; under the second, we decline to recognize the fruits of aggression—we impose a moral embargo upon any situation created in violation of the Anti-War Pact.

American policy in the Orient during the last few months has involved us in many dangers, arising primarily out of the fact that this country had not consented to the establishment of any international organization to apply and interpret the Anti-War Pact to disputes as they arise. It is true that the United States took the "initiative" in upholding the pact; but it is this very initiative which led Japan to hold the United States more responsible than any other power for the world-wide opposition to Japanese policy. As a result the relations between the United States and Japan have become severely strained. Nevertheless precedents have been built up during recent months—the principle of close cooperation with Geneva has been established—which will make it easier for the incoming administration to work out a more responsible form of international cooperation.

During the last twelve years the United States has continued to work for "disarmament"—the outstanding goal of our peace policy. Despite our efforts, no progress has been made in fixing the size of armies and aircraft, and although the leading navies were partially limited at the Washington and London Conferences, the naval treaties are due to expire in December, 1935. Japan has already served notice that it will not accept an extension of the 5:5:3 ratio and Great Britain is plainly dissatisfied with a situation under which no international restrictions exist upon the size of the French and Italian navies. The diplomacy of the next administration will be taxed to the utmost if it is to prevent a revival of naval competition in the Pacific and elsewhere. Nevertheless, while the armament situation is serious, certain gains have been made during the last twelve years. In the first place, the cry for parity in America has subsided. Having induced Great Britain to admit the principle of parity, Congress has indicated that for the time being at least, it has no

intention of expending the vast sums necessary to acquire it. Secondly, the American public seems to be coming to the realization that disarmament is not so much a moral as a political question. We are coming to learn that disarmament is impossible until governments are willing to renounce policies which make the fear of war inevitable, and until they are willing to establish a genuine international organization.

Finally, we come to the question of commercial policy. The World War made the United States a creditor nation. At the end of that war, this country should have lowered its tariff and allowed the importation of goods in large enough quantities to pay interest on the foreign debt. Although the bankers favored this policy, the industrialists and farmers, long fed on the bottle of protection, opposed tariff reduction. On the contrary, Congress actually increased the rates in 1921, 1922, 1930 and 1932. Nevertheless, as you know, the United States proceeded to develop its export trade to a remarkable extent. We sold ten billion dollars more of goods than we imported over a period of ten years. In addition to acquiring foreign exchange to pay us for this vast export surplus, the outside world had to meet interest payments on the inter-Allied debt and private loans.

How did the world meet this debt? Largely by new borrowings on Wall Street and by the expenditure of American tourists abroad. But as a result of the depression this system of one-sided foreign trade came down with a crash. No longer can the international books be balanced with new loans and there are relatively few American tourists going abroad. Foreign countries, having lost their power to purchase American goods, find themselves heavily obligated to American investors. Owing to the decline in prices, the burden of this debt has greatly increased; but the United States is unwilling to accept foreign goods—which is today the one means by which the foreign debts can be paid. As a consequence of the collapse of the American system of one-sided exports, the United States has undergone a greater decline in its foreign trade than any other power. We are suffering from widespread defaults on foreign loans and from the fact that about forty-five countries have been forced off the gold standard. The drain upon the world's financial structure, which has been partly imposed by the commercial policy of the United States, helps to explain why throughout the world 30,000,000 men today are out of work.

Although the United States during the last twelve years has modified radically its foreign policy in many respects, it has done nothing to change its commercial policy, which is one of the fundamental causes of the world depression. The one encouraging sign that I can find in the present international situation is that the incoming administration fully realizes that drastic steps must be taken toward world economic reconstruction, if our own domestic problems are to be solved.

Taken as a whole, the recent development of American foreign policy must be gratifying to those who believe in international cooperation. At the same time no one can disguise the fact that despite this development the condition of the world—and of the United States—is more serious than it has been for many years. On the one hand, unemployment, if not actual starvation, is increasing, along with new tariffs and exchange controls; on the other, trade seems to be declining, while defaults and bankruptcies are more numerous than ever. From the political standpoint, it is obvious that the world has no confidence in the League of Nations or the World Court or the Anti-War Pact, as a means of security and a basis for disarmament. The Geneva arms conference is in the doldrums. Despite the magnificent rally of the Committee of Nineteen, the League has failed to achieve a peaceful settlement of the Manchuria dispute. Tonight a veritable "war" is being waged between China and Japan. Two other "wars," caused largely by a psychopathic nationalism, are being waged in South America. One does not have to be a sensationalist to believe that unless the engines are soon reversed, the world will drift head-on into disaster.

How does it happen that although the United States has gradually modified its foreign policy in the direction of international cooperation, the world has become more and more disorganized? Perhaps the leading reason for this growing disorganization is the defects of a system of nationalistic capitalism, which today every great power supports, with the possible exception of Russia—defects which have been accentuated by the post-war commercial system of the United States.

Believing that the question of peace is largely economic, many critics today denounce the foreign policy of the United States on the ground that it is based upon "sentimentality." They urge us to stop talking about the virtues of peace and disarmament, and adopt a policy of world cooperation for the sole purpose of increasing dividends. They insist that if we can obtain by diplomatic means a "free market" throughout the world for American goods and capital, America will recover its prosperity and capitalism will be saved.

It is not my purpose this evening to discuss the differences between the *laissez-faire* type of international cooperation, which many bankers and conservative economists support, and that type of cooperation which thinks in terms of world planning and human welfare. I wish to point out, however, the dangers in a purely materialistic foreign policy. While I believe that an enlightened foreign policy will inevitably bring new prosperity, and while I am convinced that the commercial policy of the United States must be changed, I cannot agree with the so-called "realists" that we should abolish "sentiment" in favor of dollar diplomacy. No doubt there is a good deal to be said for a materialistic interpretation of history.

But within recent years the psychologists and the philosophers have demonstrated that nations, even less frequently than individuals, fail to take a long view of their material interests. The grave danger in an avowedly materialistic foreign policy is that a government following it will fail to distinguish between the economic interests of a special group and the people as a whole, and that it will yield to the temptation to employ force or other improper methods in acquiring an immediate advantage. Dollar diplomacy has meant war in the past; unless material considerations are subordinated to certain principles of international conduct, dollar diplomacy will mean war in the future.

It is also a fallacy to assume that purely material considerations will gradually bring a world community into existence. In his latest book, *Les Deux Sources,* M. Henri Bergson points out that although the family and the nation may be a product of certain inevitable social instincts, these instincts stop at definite frontiers. The nation has come into existence in order to resist external danger. But the origin of a world community is not subject to any such pressure—there is no danger of an invasion from Mars. Consequently if a world community is to be established it must have a higher basis than the nation. If this community comes into existence, it will be largely because of what M. Bergson calls a "mystic love of humanity"—which has been at the source of the great ethical and religious systems.

The future of world organization depends therefore fundamentally upon idealistic rather than materialistic factors. It would be unfortunate consequently if the United States should reject the principles which have dominated its past desire for peace. I am a nationalist in the sense that I believe the United States and every other nation has something distinctive to contribute to civilization. I believe that there is—or has been—a moral quality in American life, having its roots in a much-maligned Puritanism, which if properly disciplined and purged of hypocrisy, may become of real importance to the world. It is this quality—at times misdirected, at other times fanatical—which led to the great anti-slavery agitation, to the wave of civil reform following the war with the south, to the foreign missionary movement, to woman suffrage, to the rise of Progressivism, to prohibition, and to the Anti-War Pact. It seems to me, therefore, that despite the age of disillusionment in which we live, Americans should not be ashamed if they have the "will-to-peace," a belief that war is ethically wrong, a mystic sense of the ultimate unity of mankind. Until these conceptions dominate the world there can be little hope of real peace and friendly cooperation among nations. I believe that the United States can and should assist in making these ideas prevail.

There are three real dangers confronting a foreign policy based upon principle rather than interest. The first is the danger of self-righteousness. There is no greater menace to the world than a nation which at-

tempts to justify acts of wrong-doing upon the ground that they are divinely inspired. We cannot assume that we alone hold the key to truth.

The second is the danger of sentimentality. A year or two ago I attended a meeting of students in New York upon the question of disarmament. In perhaps a belabored speech I attempted to discuss the complicated political and technical obstacles to disarmament. But the two main speakers of the occasion—two well-known "liberals"—brushed aside all of my remarks by asserting there was only one means of solving the disarmament problem and that was for the students to become "pacifists." This was an easy, simple position to take. But in my mind it was pure sentimentality.

Finally, there is the danger of insincerity. Mr. John Chamberlain in his book, *Farewell to Reform,* has recently declared that the policy of our great industrial leaders has been "to do good" but to maintain the *status quo.* Much the same criticism I think may be made of our foreign policy. Although we have been willing to sign peace pacts galore, we have hesitated to surrender any of the prerogatives arising out of our monopoly of the domestic market or any of the nationalistic vanities. We have regarded the booming of our export trade and foreign loans as "international cooperation," but we have declined to alter our commercial system so as to make real economic cooperation possible. The last administration nobly attempted to guard the political independence of China against Japan, but it resisted—if unsuccessfully—the efforts of the Philippines to acquire independence from the United States.

Recently I have had occasion to read two debates in the Congressional Record which illustrate the point I am trying to make. In 1910 widespread opposition arose in and out of Congress to the proposed fortification of the Panama Canal. It was argued that if such fortifications were constructed, the whole movement toward increasing armaments would everywhere be intensified. On the other hand, if the protection of the Canal were entrusted to an international neutralization agreement, the cause of arbitration and of world organization would be greatly enhanced. Who knows but if the nations of the world had adopted such reasoning at that time the World War might have been averted? Most of the "respectable" people in the United States were, however, on the other side. In a speech at the Hotel Astor, President Taft declared that while he believed in peace and arbitration, he was first of all a practical man who looked facts in the face. Well, the "practical" men won the day, and the Canal was fortified.

In 1928 another debate occurred in Congress—on the Anti-War Pact. By this time the "idealists" who had constituted a strong minority in 1910, had taken to cover. The Senators were all—or nearly all—practi-

cal men, who did not wish to vote for the Anti-War Pact until they had made absolutely sure that it was interpreted so as not to place any restrictions upon the freedom of action of the United States. Those simple souls who had believed that the Pact would really prevent war, were suffering from an "illusion."

The trouble with the world during the last ten years is that all the nations have been following a policy of make-believe. They have all made banal orations stressing the necessities of peace; and each has been energetic in urging its neighbor to make a sacrifice on behalf of peace. But when it comes to assuming any risks ourselves, we call a halt. Such is the contradiction of the post-war world—a policy of peace pacts on the one hand and of glowering armaments and economic banditry on the other. If its foreign policy is based upon a realistic idealism—if it is in dead earnest—the next administration may succeed in breaking through this policy of make-believe. If it does succeed, it will win the gratitude of mankind.

THE CHAIRMAN: Mr. Buell's speech has been, I should say, almost a perfect example of a background speech. He gave the background and also a provocative point of view, and finished precisely on time.

The second speaker is Mr. Walter Millis, formerly editorial writer of the Baltimore News, the New York Sun and Globe, and now on the staff of the New York Herald-Tribune since 1924, and the author of one of the most readable and enjoyable books on recent American history, "The Martial Spirit." I recommend that you find out what the book is about, if you do not already know. Mr. Millis!

MR. WALTER MILLIS

MR. CHAIRMAN, LADIES AND GENTLEMEN: Dr. Buell opened with, I thought, a very apt quotation in which, as nearly as I can recall it, he said that the knowledge of the past is the beginning of creative wisdom. As I understand this division of labor this evening, it is the part of Dr. Buell to give you the knowledge of the past and to be wise, the part of Mr. Simonds and myself to be creative. We are launched into the empyrean of the future.

As far as I myself am concerned, this has certain obvious advantages. In the future, you are never bothered by facts. I can tell you anything I please and you cannot possibly prove me wrong. On the other hand,

there are certain disadvantages also. The future is a vague and lonely place, and in regard to the Far East, which is the particular topic that I am supposed to discuss, it is, I think, a very doubtful and dubious one.

In fact, I don't know what is going to happen in the Far East in the future and I am quite willing to believe anything I may tell you may be very wrong indeed. For that reason, what I am going to try to do this evening is not to make prophecies. To begin with, I am not a prophet myself. I have no means of telling you what Mr. Roosevelt intends to do about the Far East, and I certainly have no means of knowing whether or not he will succeed in doing what he intends to do.

In the face of a difficult and complex situation like this, the most that it is possible to do, I think, is to go back to see whether the situation as it presents itself is possible of any type of valid analysis whatever—in other words, to see whether we can recast the previous history into its very broadest terms and get some basic points of departure by which to test the actions or policies which may be adopted in the future.

Looking at the Far East in this way, I think we see that the American policy there is primarily concerned with Japan. We have encountered many other nations in the Far East, but throughout the thirty or more years in which we have been a Far Eastern power, Japan has had an increasingly important part in the formation of our own policies. Today, I think, Japanese policy is of primary importance in our attitude and I think the near future, possibly even the distant future, will be primarily determined by Japanese-American relations.

If we look at Japanese-American relations, we are struck at once by an analogy with the situation which confronted the British, let us say, from about 1890 until 1914 in regard to Germany. Japan in the Far East is, like pre-war Germany in Europe, an emergent power. She is an ambitious nation making her way onto the stage of world affairs which she already found occupied by established interests, by vested powers.

In other ways, the analogy can be drawn. The internal organization of the Japanese Empire is not so very unlike that of the German Empire. We find a similar importance given to the military; we find, again, an undemocratic form of government. I do not mean that in criticism, but it has certain obvious consequences on the policy which the nation follows.

We find the Japanese foreign policy is very like that of the German Empire. That is to say it is inconsistent; it is, on the whole, crude; it is given to violence. Nearly all the objections which the non-German powers made to Germany in the period from 1900 down to 1914 are today being repeated by American writers and certain European writers as against Japan.

If you admit this much, that we are in the presence of a phenomenon which is fundamentally similar to that which appeared in Europe, from let us say 1870 onward, then I think we must glance at the history of Europe for our guidance.

The diplomatic history of Europe from 1870 until 1914 was basically a history of the attempt of the established powers to adjust themselves to this new phenomenon which had suddenly been thrust up in their midst, and I think the outbreak of the World War was the record of their catastrophic failure to make that adjustment.

The new administration, when it turns its eyes to the Western horizon, finds itself, I think, in the presence of a very similar phenomenon. The parallel, is not, of course, exact. There are many things that distinguish the British position in re Germany from the American position in re Japan, but it is close enough to be suggestive, and I think it is particularly so when one reflects upon the enormous costs of the failure to solve this similar problem in 1914.

I would say that in an anarchic world there are theoretically only two possible means of making an adjustment to this type of phenomenon. It is a question in the last analysis of fight or make room. Either the established powers must be prepared at a certain point to fight for their own interests which are threatened by the new power, or else they must be prepared to take the new power into partnership, in alliance or agreement, or what you like, and resign those of their interests which may be necessary in order to remain on terms of friendship with the new power.

I think either course presents a logically satisfactory method of adjustment. That is, in theory it is perfectly sound. We find historically that the established powers have rarely, if ever, chosen either. What they have done is to attempt to combine the two, to be a little hostile and a little friendly; to offer tentative alliances with the new power and to a small degree prepare themselves to fight it. This effort to combine the best features of the two policies certainly resulted in 1914 in achieving the worst features of both.

Through thirty years, the United States has adopted a similar attitude toward Japan. We have had the same unhappy attempt to combine hostility with suppression. As far back as 1898 an important reason leading the American people to annex the Philippines was the fear that if we did not, Japan would, and thereby would become a great power. From that time on, our attitude toward Japan has alternated between hostility and agreement.

You have such an example, to name one, as the conclusion of the Russo-Japanese War, in which a strong American sympathy for the

Japanese (most of our people at that time I think were pro-Japanese) was tempered, when President Theodore Roosevelt came to preside over the peace negotiations, by a very distinct fear as to what Japan would become if given the whole field in the Far East. In some parts of the peace negotiations, Mr. Roosevelt was very obviously restrained, let us say, by that consideration, and was careful to see that the peace terms were not as favorable to the Japanese as they might otherwise have been.

Another interesting example is the Root-Tokohiera Agreement, falling very near to the despatch of the American battle fleet around the world, where, on the one hand we were shaking hands with the Japanese, and on the other, showing her our power with the implied threat if she did not like it she could lump it. I do not think this uncertainty as to whether we should adopt one course or the other has had a particularly happy result. Today we find ourselves not in position to fight Japan with any reasonable hope of success or without enormous cost in blood and suffering, to say nothing of money. On the other hand, the Japanese are, I am very sorry to say, distinctly not our friends and I gather the United States is as unpopular in Japan today as any great power.

You might say, this being the case, it is up to the new administration to face the situation and resolutely to make its choice between one of two policies. It can decide upon hostility, set definite limits to Japan's expansion, and can resolve to equip itself with the military force necessary to curb the emerging power within those limits. Such a policy would, of course, guarantee us our trade interests in the Far East, that is, trade interests in the non-Japanese portions of the Far East. Actually, our trade interests are not very great there. We, I believe, sell and buy in normal times about twice as much from Japan as China. The total amount of our Far Eastern trade is not supremely important in the total of American trade.

The advantages, therefore, would not be very great. The costs, on the other hand, would be enormous. Such a policy in the first place, would certainly mean failure of the 1935 Naval Disarmament Conference. It would mean on that account alone a very great increase in our naval preparedness. If we were genuinely and clearly to follow such a policy, it would mean even greater expense in naval preparedness because, I think, under this attitude it is quite true that your military equipment is your only guarantee whatsoever against war. Logically, to follow this policy would require a much larger navy than we now have.

The costs being so great, the dangers large, the benefits small, one is naturally led to inquire what the opposite policy would involve. This would amount to a complete reorientation of the American attitude toward

Japan. It would involve a serious attempt to offer her cooperation and partnership rather than hostility and suppression.

Very briefly, I think one can outline what such a policy would in the end amount to. In the first place, it would require that we rest the defense of our interests in the Far East on treaty and friendship with Japan, rather than our military ability to defend them against her. The neutralization of the Philippines would take first place in this. We would strike an agreement with Japan to provide for our own interests in China and Manchuria, rather than endeavor to maintain them by unilateral maintenance of the open door.

In return for this, of course, we would have to make certain concessions. We would have to admit Japan's primary interests on the mainland, in Manchuria and even China proper. We might even have to go to the extent of agreeing to assist Japan in the policing of China.

These are logical alternatives, but each has its disadvantages. Certainly this latter policy of cooperation would be impossible today. Certainly an administration which endeavored to put it in effect would find itself very unpopular. And I think as a practical matter it is extremely improbable that any administration, even that of Mr. Roosevelt, would ever make so clear and definite a choice of paths before it.

The new administration, like its predecessor, like all administrations of the United States, and as far as I am aware, nearly all administrations in all nations of the world, will undoubtedly still seek a middle course. It will endeavor to evade this dilemma. Then perhaps you are asking—has not the middle path already appeared? In the policy which Mr. Stimson has worked out and which we now have in effect, do we not find the solution for this choice between hostility on the one hand, and surrender, let us say, or partnership or cooperation, on the other?

Is this not the key which brings us out of the anarchic world which I was assuming at first, and really establishes what amounts to a new order? I myself do not think it is. I think that what the Hoover Administration and Mr. Stimson particularly have done amounts to a very remarkable construction in statesmanship. The Stimson Doctrine, erecting a bridge between the Kellogg Pact and the League Covenant—a really extraordinary, one might almost say impossible feat in itself—deserves every praise. To submerge the particularly American national interests in the Far East in a world interest in the sanctity of treaties is another important step forward. Yet I do not think that it has solved the basic problem of how a world is to adjust itself to this phenomenon of the emerging, ambitious nation coming onto a stage which is already crowded.

It has perhaps lifted the problem to a higher plane; one may hope it has made it more manageable. I do not think that it has solved it. Inci-

dentally, I think there is a slightly ironic touch in this departure of the last administration. A great many people in this country for many years have severely criticized the French for endeavoring to use the League of Nations as an instrument of French national policy. The French were using the League to maintain a *status quo* in Europe. We were not particularly interested in Europe. We did not realize that this problem of the new nation would ever arise against ourselves, and we were quite ready to disassociate ourselves from such an attempt. Now, however, we suddenly find ourselves facing in the Far East precisely the same problem that Europe so long struggled with, and we find we are in the forefront of the nations whom this problem concerns. It is odd, or perhaps, as I said, a little ironic, to discover, under these circumstances, the United States returning to international action and in some ways doing precisely the thing for which we have blamed the French.

The Stimson policy has had important results. It has made this question of the emergent nation an international rather than a purely national matter. It has set up the sanctity of treaties as a comparatively high standard by which the world may test the moment at which the nation passes the bounds that may be permitted to it and becomes a public menace. When the nation has overstepped these bounds, it becomes a world matter and all the other nations of the world are aligned in opposition and hostility to it.

To accomplish this, however, the new method, if I may call it so, has abandoned the final test of force, substituting only moral factors. That is to say, once a nation passes over the bounds of existing treaties, it will be opposed by the world as a whole, but it will be opposed only by the moral factor of non-recognition and reprobation, press comment, and so on, and the idea of using war as an oppressive force will be abandoned.

The great virtue of this innovation is that it does allow time to work. It does evade the immediate clash. An even greater virtue is the fact that it does recognize the importance of factors within the disruptive power. What essentially the world is trying to do is to bring a moral pressure to bear on one part of the Japanese people to cause them, themselves, to restrain the other part.

I think probably in some dim future when all these questions of international politics will finally be settled we shall discover that the key of the settlement lies in abandoning the idea of a group of nations repressing another nation from outside entirely, and in so organizing the opinion within the power that some adequate and satisfactory effect can be obtained by that nation itself. If there is any solution for the problem of international readjustment, therein it probably lies.

The Stimson Doctrine, to emphasize the whole policy in two words, I think recognizes this fact and there is an opportunity now for Japanese opinion itself to be called into play in solving a problem created by Japan. Yet, at the bottom, the old difficulty remains. We have no final machinery, in spite of the Lytton Report, for meeting the question of how far the new power deserves an alteration in existing conditions.

What I wish to point out is that the strain set up by the new and thrusting power in any given quarter of the world implies a maladjustment. This doctrine offers no method for removing that maladjustment. It rests finally upon the sanctity of treaties and since treaties are always written to enshrine the existing position, it follows that they will not have within them the power for producing a new situation which new conditions may have demanded.

Therefore, in reality, it is no more than maintaining the *status quo,* but the *status quo* has no force behind it. There is no final sanction provided. The powers which agree to this policy do not agree to fight for it. The United States will not bind itself to fight for the maintenance of treaties which interest others. We cannot expect other powers to bind themselves to fight for the maintenance of treaties which interest ourselves. It seems to me that the whole Stimson Doctrine, interesting and important as it may be, in certain characteristics, really is another method of compromise, another attempt to evade rather than face this basic question of how to deal with the strains set up by the appearance of an emergent power.

I am glad to see it applied. I think it is very possible that the new administration, following in the footsteps of Mr. Stimson and Mr. Hoover, may avoid any immediate difficulties. I think it is possible that events may be left to take their course, that the Manchurian adventure may break down of its own weight, that an opportunity will ultimately arrive under the situation as it stands to regularize the position in the Far East, to pass over the difficulty and set up another, at least temporarily satisfactory, régime there.

On the other hand, this need not necessarily follow. We already see that war has broken out in Jehol. We do not know how far that will carry. We do not know whether it will take the Japanese into an invasion of North China. If the Japanese do invade North China, we do not know what conflicts may arise with the established powers there. Sooner or later each individual power must once more face the question of whether it will fight or retire. The Chinese have already had to face it, and I gather they are fighting. It is obvious the Stimson Doctrine does not prevent war because war is under way. It is obvious the Stimson Doctrine puts no final limits to the extent of the Japanese advance and it is obvious it does not finally save us from the possibility of having to make a similar decision.

I think, therefore, that it is necessary to remember this fact. It is necessary to remember we have not solved the basic problem in the Far East, and that we must try to establish, if we can, a little more conscious idea of precisely how far we intend to go, what we really do intend to defend in the last analysis if it may be necessary, what it would be to our advantage to resign, and whether a broad policy might not find certain areas in which agreement with Japan would be more satisfactory in the end than hostility to her.

We are now in the position of absolute hostility to the Japanese and I think we are in certain danger, I will not say great danger, but certain danger of being involved even more seriously in the East unless we more logically define our exact policy, what we want and the means whereby we intend to acquire it.

THE CHAIRMAN: While Mr. Millis was making this interesting analysis, one of the speakers handed me a note. Mr. Millis was analyzing the Stimson Doctrine, and this other speaker wrote: "It is like Eliza crossing the ice. Good, so far, as long as the ice lasts."

As Mr. Millis talked, I was reminded of many conversations I had in Europe last fall, with Europeans. They seemed to have studied the American-Japanese relations better than we. Their conclusion was uniformly pessimistic. I shall not say pessimistic from their point of view, but from ours. It was that war between Japan and the United States was the natural, if not inevitable, result of the development of the past twenty or thirty years. They were inclined to interpret the Stimson Doctrine privately as merely the latest American manifestation in this persistent conflict of interests between what Mr. Millis has called the emergent nation, and the nation already arrived.

The next speaker is an old friend of ours, Mr. Frank H. Simonds. Mr. Simonds has written many things, many books, and he has been inclined recently to ask questions in his books—"Can Europe Keep the Peace?" "Can America Stay at Home?"

I think tonight, since we are not asking him to write a book, we might ask him to tell us whether America can stay at home. Mr. Simonds!

MR. FRANK H. SIMONDS

MR. CHAIRMAN, LADIES AND GENTLEMEN: You see how difficult it is to speak last. Mr. Buell has taken the past. Mr. Millis has taken the future, and Mr. McDonald has taken the distance between. My own feeling was that Mr. Buell spoke about the past creatively, and that

Mr. Millis spoke about the future historically. But I do not want to leave the McDonald matter at this point because it seems to me what Mr. McDonald said to you tonight is one of the very, very best evidences of the difficulty of statesmanship.

What he said to you was that he congratulated the incoming administration on the opportunity that it would have as a result of the advice it was going to receive from the three speakers tonight. Thereafter, he congratulated the country on the fact that Mr. Roosevelt had so far rejected all the advice he has been offered. I ask you if that isn't spoken more like a Secretary of State than a Director of the Foreign Policy Association?

I am to speak to you tonight upon the European aspects of the foreign problems confronting the new administration in Washington. What these problems are is obvious enough—debts, disarmament, and questions of tariff and currencies. These are the subjects which must head the agenda. All, too, are but details in the larger problem, the largest problem of all, which is to promote prosperity and peace abroad and thus end the great world depression from which the United States is suffering in common with all the rest of mankind.

However, before it is possible to touch upon the details, it is necessary to face the question of foreign policy itself. In that direction, the confusion in the American mind has been and remains complete. War, we have been taught, is the extension of policy by other means. Foreign policy, in the same way, is the promotion and protection of domestic interests abroad.

But in foreign policy as in war, the first question is that of the objective. The second is the means by which to attain the objective. Until a nation decides what rôle it desires to play in the world, there is no earthly use in attempting to discuss its foreign policy. It is then in the position of the man going up to the window and asking for a ticket without telling the ticket seller where he is going, or without providing himself with money to pay for the transportation.

Yet, in all the post-war period, while the United States has been dominated by the desire to go places and do things, it has never made up its mind as to the destination or the price of the ticket.

Before the World War, the United States was still the country whose exports were in large part in raw materials and whose exports and imports alike were mainly carried in foreign ships. Its chief concern was the development of its domestic resources and the exploitation of its home market.

For a nation in such a state, a foreign policy comprehended in the word "isolation" was natural and appropriate. To keep Europe out of the

Americas, and the United States out of Europe, that was sound doctrine. Protective tariff was a logical accompaniment of such policy. To mind our own business and to do our own business, that was the sum of it.

Suddenly, however, by the accident of war, all the circumstances of the American people were transformed. In 1914 we owed Europe $3,000,000,000. In 1921 Europe owed us $15,000,000,000. In seven years our exports had trebled and now manufactured articles constituted the larger part. In addition, despite all the great loans already made, the United States remained at the moment the greatest available reservoir for capital for the reconstruction of a devastated world.

In effect, in much less than a decade, events had thrust the United States into the position which Britain had won for itself in the long century between Waterloo and the Marne. We had become the greatest creditor trading and industrial nation on the planet. We were also the most involved. For now there was not a corner in Europe where a shot could be fired without endangering the life of an American debtor or imperilling the safety of an American customer. By the time the Harding administration took office, we were literally up to our necks in Europe.

We were almost at the point of getting out of our depth, and the rejection of the Covenant of the League, refusal to join the Geneva body, changed nothing in the face of our actual involvement. Whether we chose to behave like the ostrich or the eagle, we were there.

Although we had fallen heir to the British position, however, we made no attempt to adjust ourselves to our new rôle as the British had gradually adjusted themselves to that same rôle in the century since the industrial revolution. They had abandoned their agriculture, made over their domestic economy, reorganized their finance, to enable them to sell their manufactures and services abroad and to receive pay in raw materials at home. They had adjusted the receiving as well as the selling end of the business. Precisely in the same way, they had shaped their political policy to correspond to their vast material interests.

The America of Harding was, however, economically dominated by the principles of William McKinley and politically by the doctrines of George Washington. We had $15,000,000,000 sunk in Europe, and we had on the one hand no domestic method for receiving payment, and on the other hand no foreign policy designed to protect this colossal state.

Obviously, we had to go forward or backward. We had to readjust our policy to our new business or sacrifice our new business in order to get safely back under the four corners of the old policy. We were like the man in the polling booth. If we tried to mark two tickets, we only spoiled our ballot.

But that was precisely what we did undertake to do. We attempted to do the business of the British Empire in conformity with the tradition of the American Republic. We were like a boy in a boat, who with a right oar pulls violently in one direction, and with the left violently in the other direction; and our boat whirled round and round madly until at last the current carried it to a convenient mud bank where it now rests.

In a word, in order to reconcile two irreconcilable courses, we took refuge in a penthouse of paradox and in that penthouse we still remain. Now let us see how that paradox works out in the matter of debts.

At the close of the World War, Europe owed us in war debts alone some $12,000,000,000. We were entitled to be paid. We meant to be paid. Could Europe pay? Yes. Could we collect? Yes. But there was only one way in which payment and collection were possible. We had to take goods or services from Europe as in the war and the immediate post-war period we had supplied Europe with goods and services.

In principle, the situation is not changed even today. All of you who are within reach of the sound of my voice can start out and become debt collectors. Go to the stores wherever and whenever possible and buy a foreign article instead of a domestic one. Say to yourselves firmly that the debts must be paid, "and I must do my bit." Then buy British, buy German, buy French, as the case may be. Afterwards, you can go home, satisfied that you have performed a patriotic duty, that you are indeed a debt collector.

Only one thing you must not do. Do not, I beg of you, buy American, because by that action you become a cancellationist. You deliberately pass up a chance to make Europe pay the debt. You voluntarily enlist in that American foreign legion of which my friend, Hiram Johnson, speaks not infrequently and never without emotion.

"But," you say to me, "will not thus buying British, for example, reduce the sale of American products at home, and thus contribute to American unemployment?"

Almost certainly, and unemployment will bring about misery on the one hand and higher taxation on the other. I cannot deny that, either.

"But," you say, "if Europe does not pay, the burden will be shifted to the shoulders of the American taxpayer."

That is true. But it is also true that no one has yet found any way by which you could save the American taxpayer except at the expense of the American working man. In fact, the debt question is like the famous and unanswerable interrogation, "Have you stopped beating your wife?" Answer in the affirmative, and you admit you are a reformed wife beater.

Answer in the negative, and you agree you are still a practicing wife beater. Try it out with the cancellationist and collectionist, and it comes to exactly the same thing.

"Well," you say to me, "all this is a little too complicated for a simple mind. But I begin to see there is some difficulty in getting paid in cash or in goods. Why can't we swap these debts off for tariff concessions? Why can't we get the debtor nations to lower their duties on American goods, and thus insure a larger sale of our own goods?"

On their market? You can! But just as long as these debtor nations do not get reciprocal tariff concessions from the United States, they will have no new means for paying for the new goods. Thus in the end you will have to lend them some more money to spend, which is not an approved method of collecting a debt, although it has been tried.

"All right then," you say, "at least, the British could go back on the gold standard and thus free us from the unfair competition due to a depreciated currency."

Yes, but the debts had no direct relation to the British fall from the gold standard. Actually, when they went off the gold standard they were collecting from Germany and their other debtors all they paid us. Forgiving the debts now would not protect them against a new disaster like the old. They must have either some assurance of the transformation of the political conditions in Europe out of which that crisis grew, which caused them to leave the gold standard, or they must have some guarantee from the United States that if they get into the same trouble, we will furnish the gold to help them. But there we are, paying again!

"Then," you say to me, "at least, the French can pay us. They have the gold."

Yes, they have the gold, but over one-third belongs to other nations and is only in Paris for security. They haven't much more gold of their own than they might need to support their currency, and if you begin to take that away they may presently fall off the gold standard like the British, and there is the start of a competition of another depreciated currency at the moment when you are trying to get rid of one.

Last of all, you say to me, "What about disarmament, then? If we cannot get back what the last war cost, maybe we can do something to prevent a new war and fresh costs."

Well, there are two points there: Exposed nations would not diminish their protection against an invasion which they expect, even on the promise of cancellation unless they got some assurance of protection in case of invasion. But that means that in addition to cancelling the debts, we shall have to guard European frontiers with our blood and treasure.

However, there is something even more wicked about that. Suppose France should disband her entire army in return for debt cancellation. That would mean an enormous reduction in the French budget. It would mean enormous reduction in the rate of French taxation, in the cost of French production, and the reduction in the cost of French production would enable them to compete with us in the world market much more successfully. Therefore, if you only disarm France, you release France to compete with us with the same advantages that the British are having because of their depreciated currency.

Well, by this time perhaps you are getting a little impatient.

You say to me, "It is a curious thing that every time any suggestion is made of a way of making Europe pay its debts, the result of the thing is to turn up a new way for making the Americans pay."

Then you say, "You are concealing the real truth from me. The fact is that it is all a trick. The Europeans are cheats and frauds and ingrates. They are out trying to escape from paying their honest debts. Now we are going to tell them where they get off. We are going to tell them what we think of them, and into the bargain we are going to stop buying their goods. Hereafter, we shall dress in Fifth Avenue instead of the Rue de la Paix, and winter in Florida instead of on the Riviera."

All right, but be careful. Every time you shake your fist in the face of a defaulting debtor you are insulting a paying customer. And because you sell all the debtor nations more than you buy from them, they can meet your tactics with a more deadly counter-offensive. Since America began to buy American, American exports have fallen off more rapidly than American imports. There you are again!

The new administration, in the matter of debts, has to decide whether to provide the means for collecting by opening our markets, or reconciling our people to cancellation and letting the whole mess drop in the sea. Remember, what is true of war debts is just as true of the private debts too. They have to be paid in the same way or not at all. You may say, if you please, that governmental debts are sacred and private investments profane, but the door that you bolt against the payment of one will shut out the cash for the other.

In the matter of disarmament, the new administration has just as certainly to give guarantees in proportion as it seeks reductions. In the matter of currencies and tariffs all concessions must be reciprocal. We can cancel the debts, scrap our disarmament activities, make the best we can of competition due to depreciated currencies and barriers resulting from foreign tariffs. That is isolation. That is the ultimate application of the doctrine of "Buy American." However, it amounts to goodbye American for everything beyond our own frontiers.

The alternative must be to recognize that the United States is not a detached and preferred creditor in a busted world; that it cannot hope, singlehanded, to get anything for itself out of the wreck or be alone in the recovery; that if it is going to take the profits of being a creditor nation, it must run the risks and shoulder the responsibilities thereof.

For the past twelve years we have undertaken to reconstruct the world to accord with American interests and ideas. We have refused European goods, rejected European doctrines, condemned European morals. We have reduced our international relations to the compass of a one-way street, and today we are indignant to discover that for all that has passed down that street, nothing is coming back.

One single detail of the present situation is to me most striking. That is the eagerness of most Americans to admit they were born morons in order to prove that all Europeans are congenital crooks. If we have lost the war debts, endangered the private debts, sacrificed our great trade and surrendered our enormous prestige, the reason is not that all Continental statesmen are born Bismarcks, and all European diplomats are Metternichs in their cradle. The reason is that our administration, our Congress, our public have been unable to make up their minds whether to restore the immunities of their old isolation, or enjoy the benefits of their post-war involvement.

That is why a régime which came to power to the beguiling strains of "Yes, We Have No Bananas," is going out to the appropriate music of "Brother, Can You Spare A Dime?"

THE CHAIRMAN: Well, where are we? Perhaps Mr. Roosevelt would say that the three speakers have raised more problems than they have solved. But at any rate, we should give them credit for two things which are very rare these days in men who talk or write or speak on public affairs. No one of the three speakers has intimated that he is going to be named to an important post by Mr. Roosevelt, and no one of them has intimated, at least publicly, that he is the prime confidential adviser of Mr. Roosevelt. For those two acts of restraint, we give praise.

I do not know how long the question period should last. It certainly could last a few minutes, and I should welcome questions from the audience, pertinent or impertinent, or even brief statements if they are made so they can be heard. Where is the first?

MR. GEORGE SYLVESTER VIERICK: I greatly admired Mr. Simonds' speech. It was scintillating, a cascade of brilliance. But I cannot agree with him. I would like to ask him a question which I asked some time ago of the Kaiser at Doorn. I said: *It may be fair that America should have paid practically all the German reparations because we had no busi-*

ness in the War, but is it fair that we should pay not only all reparations, but all the war debts of all the nations at war?

Will Mr. Simonds answer that, and one more question: It seems to me that Mr. Simonds, for all his epigrammatic wit, has fallen under the spell of the propaganda of the international bankers. The bankers who take money out of their tills and lend it to themselves without interest for speculation, who sell their own bank stocks short, now want to reach into the public treasury to save their tottering investments in Europe and what is left of their reputation.

Mr. Simonds has given us many reasons why Europe cannot pay. But it seems to me that Europe can pay if Europe really wants to pay. The entire war debts involve hardly more than 3 per cent of the budgets of these various nations.

If France wants to lend money to her satellites or to increase her military expenditures, if Great Britain wants to increase her navy, if Poland wants to spend 47 per cent or more of her entire national income on armaments, they can always find funds. Such being the case, surely they can find a little money to pay poor Uncle Shylock. It seems to me that European Governments are raising this debt question as a smoke screen to hide their own incompetence from their own people. Even if we cancel the war debts, conditions in Europe will not change materially.

It seems to me further, that if money transfers are impossible, there are other ways in which Europe can pay us. *Don't you think, Mr. Simonds, that England, for instance, could surrender the right which she has to pass her ships without tolls through the Panama Canal?* Don't you think the French West Indies, Newfoundland and other possessions might be turned over to the United States, if only to preserve the sanctity of private property?* Permit me to remind you that Newfoundland was for sale only a short while ago.

Mr. Simonds: Mr. Vierick, when you were talking with the Kaiser, did he think it was fair that he was in Doorn? No. Well, I don't think it is fair that the United States should pay the debts. My judgment is that the Kaiser got into a war and had to pay, and unhappily, the United States, or happily, as you please, got into a war, and also has to pay.

I never stood here to suggest that it was fair or just or right; for twelve years I have been looking to the accumulated statesmanship of mankind to find a way to collect the debts that are owed us, but you have only said they ought to be made to pay.

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*Great Britain has no right of free passage through the Panama Canal. In 1912 Congress gave American coastwise shipping free passage, but Great Britain protested, since under the Hay-Pauncefoote Treaty of 1901, we had guaranteed British shipping the same terms as that of "all other nations." This last term, Great Britain contended, included our own shipping. President Wilson agreed with the British view and in June, 1914 he secured enactment of a bill repealing the exemption previously given American shipping.—Editor.

In the matter of Newfoundland, Newfoundland, as I recall, and Mr. Millis will correct me if I am wrong, is a self-governing dominion of the British Empire. It would be very interesting to establish the principle that when a country gets in debt it should sell off some self-governing part of its territory. For example, if some time or other when we got into the next war, having lost all our money in the last, we should be in debt, we should cede Long Island to somebody.

It is an interesting principle to me that, having abandoned keeping our citizens as slaves ourselves, we should agree to sell them into slavery somewhere else or ask somebody else to do it with their citizens.

As a serious matter, there isn't any possibility that I know of of trying to make Europe pay which has not been canvassed.

Mr. Vierick has talked about the nations of Europe who spend vast sums of money in armaments, but if the French should suddenly disband their army and cease to spend money for their armaments, that would not bring them a dollar more of American exchange to pay their debt. Nobody knows better than Mr. Vierick after the experience of his examination of the transfer provisions of the Dawes Plan and the fatal omissions of these provisions in the Young Plan, that the problem of transfer is the thing which governs the matter of payments between nations.

Then, I should thank him for the suggestion of my association with international bankers because it makes me among the great losers.

Mr. Waldo: Mr. Simonds, you said nothing about the Russian situation. *I wonder if you would tell us what your idea is about the advantages or dangers of entering into relationships with Russia again.*

The Chairman: Mr. Waldo asked Mr. Simonds if he will not tell us how soon the new administration is going to hold out the hand of fellowship to Moscow.

Mr. Simonds: Mr. McDonald always adds something to the question. Nobody said anything about the right hand of fellowship. They were talking about business. There are two reasons, as I understand it, why we have been hesitating to recognize Russia. One is that the Soviets did not pay their debts, and the other is that they conducted propaganda which might tend to destroy our national existence. Now they are no longer, as Mr. Vierick has indicated, even notorious because they do not pay their debts. And after the testimony which is going on in Washington from the members of high finance, I don't see how any propaganda that Russia could do here could matter.

Seriously, from the very beginning I have thought it was a silly thing for our government to refuse to recognize another solidly constituted gov-

ernment. After fifteen or sixteen years nothing is clearer now than that though there may be a shift among the men who control the régime, there is no present prospect of any substitution, of any restoration.

Therefore, it seems to me that the time has come when we can afford to recognize the fact of the Russian government and proceed to do whatever business there is to be done on the basis of the fact that it is a government.

QUESTION: *Why do we sell arms to either of the Eastern nations who are concerned in this big problem? Can't that help the situation?*

THE CHAIRMAN: Mr. Millis, the questioner would like to know why we sell arms to either or both of the belligerents in fact, if not in law, in the Far East.

QUESTION: May I say that from Mr. Millis' speech I reached the conclusion that we really should apply Freudian psychoanalysis to nations as we do to individuals, to separate the "ich" and the "es" as Freudians do, to separate the consciousness, the egotistic consciousness, of a nation from its humanitarian consciousness, and hope to influence the humanitarian part of the country to get stronger.

THE CHAIRMAN: Mr. Millis, you answer that, too.

MR. MILLIS: I must disclaim the imputation of being a Freudian even internationally. All I was trying to convey in that respect was that we have had such small success in attempting to control nations entirely as individual units themselves, bringing pressure to bear upon them from outside, that if the world is to be better ordered in the future, I think the idea of these units must to a certain extent be broken up and we must explore the possibility of controlling nations through the elements within them.

As for the sale of arms, I suppose the primary reason we sell arms is to make money. That is why we sold arms to the Allies, I feel sure, during the war. We could not have stopped the export of arms to the Allies, certainly after the middle of 1915, without destroying the nation's prosperity in the United States, which, I suppose, is the main reason why the Wilson Administration never attempted to do it.

However, that set up a precedent, you might say, and makes it difficult now to apply an arms embargo in general. It is also difficult to apply an arms embargo to any given position because the arms manufacturers immediately cry out you are destroying their market, destroying them, and if you destroy them, they won't be able to make arms for you when you get into war.

The third reason is that a selective embargo, of course, immediately involves one in the risk of war with the nation against whom the embargo is laid down. If we did lay down an embargo against Japan, they might easily have a *casus belli* against us. I do not think it is according to our policy to lay an embargo against Japan and China. And an embargo, unless joined in by other powers, is ineffective anyway.

THE CHAIRMAN: You know, in the Senate, a staunch opposition during the course of the last few weeks, of one senator, perhaps two or three others, was sufficient to block prompt consideration by the Senate of the resolution which had strangely enough been brought out by the Foreign Relations Committee, authorizing the President to embargo arms in cooperation with other exporting countries.

The senator who blocked consideration so effectively came from a state which, through a strange coincidence, is the chief center of the small arms manufacturing in the United States. This senator, though a noble gentleman and a distinguished idealist and patriot, insisted that his opposition to the resolution was wholly on the ground of high policy and had nothing whatever to do with the arms interests of Bridgeport or Hartford, Connecticut, and Springfield, Massachusetts. I dare say he thought he was telling the truth.

QUESTION: Mr. Millis stated that the League has failed to meet the great test in the Japanese crisis, and lost its prestige and we can no longer look forward to its present composition as a great peace-preserving organ, even since recent developments, especially the Committee of Nineteen. Walter Lippmann summed it up in his article yesterday and thinks it is a great step forward and includes this statement: "As a result, the League is a more effective agency of peace than at any time since it was founded."

I should like to have Mr. Simonds' opinion on that.

THE CHAIRMAN: Mr. Simonds versus Walter Lippmann.

MR. SIMONDS: I disagree with Mr. Lippmann, and I think, quite as completely with Mr. Millis. It is a difference of opinion which arises from what seems to me to have been the original conception of the League of Nations in the minds of a great many people.

I see here tonight in the audience a former Minister of Poland to various countries in Europe, and I am wondering if in his mind in the last few days there hasn't been passing the question as to how much satisfaction it would be for a country which believes itself to be in immediate danger of being invaded, to know that a year and a half after an invasion had taken place, it would be possible for a Committee of Nineteen meeting in Geneva without acting even then with extreme impetuosity, to decide that

what the Japanese had done was contrary to the Covenant of the League of Nations and the Kellogg Pact.

I see Mr. Vierick here, and I am aware that my German friends sincerely believe they are in danger of a Polish invasion. I wonder what guarantee there is in the minds of the smaller countries of Europe, for whom the conception of the League was the evidence of the arrival of a new spirit in the world, that made it possible for nations to join together in the creation of a new world, and if it were necessary in the case of the infringement of that spirit by one nation to repress and, if necessary, coerce that nation.

I am in agreement with Mr. Millis about the unwisdom of the attempt to use force to carry out the doctrine of the Covenant of the League, to enforce the Covenant of the League. I never believed any nation except the nation that was directly interested in the issue or indirectly interested in the issue through some other country, would undertake to use its force.

But to go back to the question that the gentleman asked me, he said I said in my last book that the effect of the Japanese affair and the Manchurian thing was to demonstrate the bankruptcy of the League. To my mind it has demonstrated the bankruptcy of the League to those nations who, considering themselves exposed, hoped there was some other means save that of force to defend themselves.

On that particular point I talked with Benes last winter. He is the Foreign Minister of Czechoslovakia, and perhaps the strongest of the internationalists of the League. Benes said to me, "Simonds, after this we can only hang on to the pieces and hope to be able to start and build again."

Now, it seems to me an illusion to imagine that because you saved a sheet of paper that you have not been through a bankruptcy when the sheet of paper can no longer be paid for the face value or for any real value on it.

THE CHAIRMAN: We have time for perhaps one more question. I am afraid even if we stayed until twelve o'clock we would not give Mr. Roosevelt complete and explicit directions on all questions of policy. Where is the last question? Has someone something to direct to Mr. Buell?

QUESTION: *Would Mr. Buell not answer the same question, please?*

THE CHAIRMAN: Mr. Buell is asked to answer the same question which was asked. In other words, he is asked to decide between Simonds and Lippmann. Mr. Buell!

MR. BUELL: I have read the obituary of the League many times and it undoubtedly is very sick. I do not know whether it has been stronger in

the past than it is today. I do not believe it was put to a real test before the Sino-Japanese dispute.

I agree with the two speakers, perhaps in a different sense, that moral pressure is a very inadequate thing. The more I have studied the non-recognition principles of our administration and compared them to what happened in 1914 to 1917, the more I am afraid that while we may use so-called moral pressure out of fear of becoming involved in actual conflict, the very use of these moral forces will arouse antagonisms which cannot be controlled and will sooner or later get you into a conflict when you least want it, and on a terrain where you are least strong.

I have in mind President Wilson and his high moral purpose to give constitutional government to Latin America. It was a high moral purpose in one sense, but before he got through he found he was bombarding Vera Cruz, and carrying on interventions in Haiti and Santo Domingo.

I am very much afraid that the events we are witnessing now, and I am speaking frankly, will continue to create such antagonisms that Japan will declare war against China. That means that Japan, under the old theory of war, will be legally entitled to blockade the ports of China; and what does a blockade mean? It means that under the old theory of war Japan will be authorized to seize and confiscate the merchant ships not only of China, but also of the United States and Great Britain, and all the other powers.

If that happens, I am the last one to deny that moral pressure will have had any further result than to prepare the way for a real clash. The position which I held at the beginning of this dispute, and which I still hold, is that if you are going to interfere in a controversy of this serious importance, you must be willing at the outset to impose sanctions if the powers refuse to pay attention to peace machinery. Sanctions have not been imposed for reasons which you all know.

So we are in for a policy of drift. The outcome no one can predict, but I close on a perhaps moralistic note, which is that all of your institutions have been the product of slow, difficult growth, and that here is a possibility—I am not at all sure it is a real possibility—that eventually a League of Nations will evolve which will be able to preserve and develop peace in the world.